

Report of	Meeting	Date
Chief Executive (Introduced by the Executive Member for Resources)	Executive Cabinet	27 August 2015

REVENUE AND CAPITAL BUDGET MONITORING 2015/16 REPORT 1 (END OF JUNE 2015)

PURPOSE OF REPORT

1. This report sets out the provisional revenue and capital outturn figures for the Council as compared against the budgets and efficiency savings targets set for the financial year 2015/16.

RECOMMENDATION(S)

2. Note the full year forecast position for the 2015/16 revenue budget and capital investment programme.
3. Note the forecast position on the Council's reserves.
4. Request Council approve the set aside of £100,000 from in-year revenue underspends to fund one-off capital payments to secure recurrent revenue savings on ICT contracts.
5. Request Council approve the use of £39,000 held in reserves for the former NEETs programme to invest in the Town Centre Grants Programme and a further sum of £61,000 be funded from in-year savings.
6. Request Council approve the use of £36,000 from in-year revenue underspends for capital investment in Christmas lighting for the town centre and Market Walk.
7. Request Council approve the Single Front Office Apprenticeships at an estimated cost of £56,000 for two years, and that the unspent budget at 2015/16 year-end be carried forward in an earmarked reserve.
8. Request Council approve the proposed additions and re-profiling of the Capital Programme to better reflect delivery in 2015/16. This requires £166,000 revenue financing of the CCTV Programme to be brought forward from 2016/17 and 2017/18, which would be financed from a reserve earmarked for capital financing. In addition it is recommended that the budget for revenue financing of CCTV should be increased by £85,000, to be met from the forecast underspend.

EXECUTIVE SUMMARY OF REPORT

9. The projected revenue outturn currently shows a forecast underspend of £444,000 against budget (including savings made in Market Walk financing costs). The report proposes that Council should approve the use of most of the forecast overspend for the funding of service improvements (Recommendations 4 to 9 above), so that £106,000 would be added to General Balances if all proposals are approved.
10. The latest forecast excludes any variation to projected expenditure on investment items

added to the budget in 2015/16. These projects are forecast to fully expend in 2015/16 and should there be any balances remaining at year end they will be transferred into specific reserves and matched to expenditure in future years.

11. In the 2015/16 budget the expected net income from Market Walk after deducting financing costs is £0.905m. The latest projection shows that the forecast outturn is £1.055m, most of the improvement being in respect of reduced financing costs.
12. Overall, Net Financing Transactions (interest payable plus MRP, less interest receivable) are expected to be £165k less than budget, mainly because additional PWLB borrowing was not incurred at the end of 2014/15. This borrowing, to replace use of internal cash, might be required before year-end if a longer-term increase in interest rates is imminent.
13. The forecast of capital expenditure in 2015/16 is £10.210m, before rephasing and increasing the CCTV budget.
14. The Council expected to make overall target savings of £150k in 2015/16 from management of the establishment. Savings of £100k have already been achieved for the year, with the remaining balance expected to be achieved over the coming months.
15. The Council's Medium Term Financial Strategy proposed that working balances are to reach £3.0m over the 3 year lifespan of the MTFs to 2017/18 due to the financial risks facing the Council. This is an increase from previous years' strategies and has been set to match the total budget deficit currently forecast for 2017/18. A budgeted contribution into General Balances of £350k is contained within the new investment package for 2015/16. The current forecast to the end of June shows that the General Fund balance could be around £2.744m by the end of the financial year, after adding the £106,000 underspend discussed in paragraph 9 above.

Confidential report Please bold as appropriate	Yes	No
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Key Decision? Please bold as appropriate	Yes	No
Reason Please bold as appropriate	1, a change in service provision that impacts upon the service revenue budget by £100,000 or more	2, a contract worth £100,000 or more
	3, a new or unprogrammed capital scheme of £100,000 or more	4, Significant impact in environmental, social or physical terms in two or more wards

REASONS FOR RECOMMENDATION(S)

(If the recommendations are accepted)

16. To ensure the Council's budgetary targets are achieved.

ALTERNATIVE OPTIONS CONSIDERED AND REJECTED

17. None.

CORPORATE PRIORITIES

18. This report relates to the following Strategic Objectives:

Involving residents in improving their local area and equality of access for all		A strong local economy	√
Clean, safe and healthy communities		An ambitious council that does more to meet the needs of residents and the local area	√

Ensuring cash targets are met maintains the Council's financial standing.

BACKGROUND

19. The latest revenue budget is £16.590m. This has been amended to include approved slippage from 2014/15 and any transfers from reserves. The significant additions to the budget include:

- £423,900 slippage from 2014/15.
- £498,800 residual balance of investment budgets for Economic Development.
- £71,270 balance from the Neighbourhood pump priming budget.
- £53,350 balance of investment budget for Neighbourhood Working.

20. A full schedule of the investment budgets carried forward from 2014/15 and the new (non-recurrent) investment budgets introduced in the 2015/16 budget are shown below. Expenditure to date against these projects is shown in Appendix 2.

Investment Area (Revenue)	Investment Budgets b/fwd.	2015/16 New Investment
Deliver Agreed Neighbourhood Priorities	53,350	50,000
16/17 year old drop in scheme	2,000	19,000
Connecting Communities through food	10,260	
Extension & improvement of street furniture	3,950	
Play and Open Space Strategy	10,930	
Mediation service for Anti-Social Behaviour disputes	7,000	7,000
Chorley Council energy advice switching service	15,000	
Inward investment delivery	244,510	50,000
Town Centre Masterplan	35,000	
Support the expansion of local businesses (BIG grant)	79,100	40,000
Business Start-up (Grant and Loan)	49,680	
Town Centre & Steeley Lane Pilot Action Plans	83,650	
Unify Credit Union	9,000	
Private Property Improvement Scheme	38,230	
Joint employment initiative with Runshaw College	6,870	10,000
Community development and volunteering	25,530	
Digital access and inclusion		25,000
Investigate opportunities to expand Chorley Markets		30,000
Employee Health scheme		20,000
Support the food bank		15,000
Supporting communities to access grant funding		20,000
Increase visitor numbers to Chorley		35,000
Chorley Public Service Reform Board work plan		15,000
Campaigns and events		65,000
Disabled and dementia online venue access guides		20,000
Accommodation finding service		6,000
Development and delivery of community action plans		200,000
Chorley Flower Show		50,000
North West in Bloom		45,000
Town and Country Festival		10,000
Free Swimming		8,000
Additional events in Astley Hall and Park		14,000
TOTALS	674,060	754,000

Investment Area (Capital)	Investment Budgets b/fwd.	2015/16 New Investment
Chorley Youth Zone		1,000,000
Deliver Improvements to Market Street		1,000,000
Recycling Lives – Depot Split	(4,800)	120,000
Land Assembly – Extra Care		250,000
Delivery of CCTV 2015/16 – 2017/18 (split over 3 years)		250,000
Yarrow Valley Car Park		225,000
Buckshaw Community Centre		600,000
Recreation Strategy		170,000
Astley Hall & Park Development:		
- 2014/15 carry forward	458,990	
- 2014/15 investment – year 2		218,000
TOTALS	454,190	3,833,000

21. The Council's approved revenue budget for 2015/16 included target savings of £150,000 from management of the staffing establishment.
22. It was recommended in the June Provisional Revenue and Capital Outturn Report that the £176k net income from Market Walk in 2014/15 was split between the Change Management Reserve and Income Equalisation Reserve on a 80:20 basis. A sum of £141k was subsequently allocated to the Change Management Reserve to assist in funding future organisational change.
23. Set out in Appendix 1 is the provisional outturn position for the Council based upon actual spend in the first three months of the financial year and adjusted for future spend based upon assumptions regarding vacancies and service delivery.
24. The latest forecast of capital expenditure in 2015/16 is £10.210m. The latest capital forecast is detailed in Appendix 4 based upon actual and committed expenditure during the first three months of the financial year and adjusted for future spending based upon the latest timescales for project delivery. Rephasing of the CCTV Programme and the increase in budget provision to £0.335m is not reflected in the appendix, which will be updated should Council approve the changes.

SECTION A: CURRENT FORECAST POSITION – REVENUE

25. The projected outturn shown in Appendix 1 forecasts an underspend compared to budget of around £444,000. The significant variances from the Cash Budget are shown in the table following. Further details are contained in the service unit analysis available in the Members' room.

ANALYSIS OF MOVEMENTS

Table 1 – Significant Variations from the Cash Budget

Note: Savings/underspends are shown as ().

	£'000	£'000
Expenditure:		
Staffing costs	(184)	
Net Financing Costs including Market Walk financing	(165)	
Single Fraud Investigation Service (SFIS)	(39)	
Council Tax Support Grant - New Burdens	(22)	
Waste Contract	(62)	
Central Printing & Copying	(16)	
Chorley Local Plan/CIL Review	41	
Bengal Street Depot - Business Rates	<u>15</u>	(432)
Income:		
Bengal Street Depot - Rent/Service Charge	65	
Car Parking Fees	20	
Housing Benefit related Grants	(60)	
Children's Partnership Board funding	(15)	
Grant of Easement/Sale of Land	<u>(17)</u>	(7)
Other:		
Other minor variances	<u>(5)</u>	(5)
Net Movement		(444)

26. The forecast saving of £184,000 on staffing costs shown in the table above is in addition to the contribution of £100,000 already made to meet the corporate savings target for 2015/16. The total savings of £284k are made up of £78k from the Chief Executive directorate, £107k from Customer & ICT Services and £99k from Public Protection, Streetscene & Community predominantly from the Planning Services team. The staffing savings achieved to date are a result of vacant posts.
27. In addition to the staffing savings outlined above, there is also a one-off saving in 2015/16 of around £39,000 following the roll out of the Single Fraud Investigation Service (SFIS) under the Department for Work and Pensions. The intention was that once the Council's Housing Benefit Fraud Investigation staff transferred to SFIS, the DWP would reduce the Council's Housing Benefit Admin Grant. Chorley's transfer date was 1 May 2015 and resulted in a reduction of one post reducing costs by £39,000. However, the DWP have announced that the reduction in grant funding will only take effect from 2016/17 resulting in a one-off saving in the current year.
28. In 2015/16 the Council has received a grant of £22,250 for New Burdens funding to help with the administrative costs of the Council's local Council Tax Support scheme. It is anticipated that the costs of administering the scheme can be contained within existing budget resources within the Single Front Office therefore generating a saving of £22k.
29. The Council's annual waste collection contract with Veolia is subject to inflationary increases in charges with effect from April each year, using the measure for RPIX in March. The actual March RPIX figure at just 0.9% was lower than the provision included in the

budget for 2015/16 and this has generated a saving on the contract costs of around £62,000 for the current year.

30. One area that has seen a reduction in costs over recent months is printing and copying. Following an agreement reached with Canon (UK) Ltd, the Council is no longer liable to pay rental charges on some of the older copiers and now only gets charged based on the actual number of copies used. In addition to this, the Council has made efforts to drive forward the policy of reducing costs by promoting the paperless office and implementing the roll out of iPads for Members and senior officers. This has reduced the copier usage charges and together with the reduction in rental charges, a saving of around £16,000 is anticipated for 2015/16.
31. One issue highlighted in previous monitoring reports was the legal costs associated with the Chorley Local Plan 2012-26. The latest forecast for expenditure under the Local Development Framework in 2015/16 is estimated to be around £31k, a large proportion of which relates to the Planning Inspectors costs at just over £25k. In addition to this, work on the Community Infrastructure Levy (CIL) review will be commissioned later this year as part of the LDF joint working with Preston and South Ribble Councils. The estimated cost of the work is currently around £30k and will be shared between each of the three authorities. Previous budget provision for LDF related costs has been fully utilised so the forecast costs of around £41k will have to be met from current year underspends.
32. A report to Executive Cabinet on 21st March 2013 outlined the benefits of sharing the Bengal St Depot site with registered charity Recycling Lives. The proposals detailed the potential budget savings going forward from shared site costs and rental income. Based on these proposals, the Council's budget for 2015/16 included a total sum of around £80,000 made up of £45k for rental/service charge income, savings of £15k due to sharing business rates and an additional £20k to be realised from a profit sharing agreement.

The exact terms of the lease have still not been agreed with Recycling Lives and it is now a possibility that this agreement will no longer go ahead. The options now available for the Bengal Street Depot site are detailed in a separate report to Executive Cabinet. As a decision has yet to be made for this site, the current forecast assumes it is unlikely that any savings will be realised in this financial year and so the full loss of income of around £80k is currently included in the forecast for 2015/16.
33. As part of the budget package for 2014/15, £100,000 was added to the budget to allow the administration to continue with the revised car parking tariff that was introduced to promote the use of the Town Centre. Based on actual income levels throughout the previous financial year, the full year effect of the new tariff is now estimated to be around £125,000 resulting in a shortfall against budget of around £25k. Income levels for the first quarter of 2015/16 have continued at broadly the same level and the initial forecast is for a shortfall of £20k in the current year. If these levels are maintained for the remainder of the year, budget projections for future years will need to be adjusted accordingly.
34. The Council recently entered into a Delivery Partnership Agreement with the Department for Work and Pensions to support the implementation of Universal Credit in Chorley Borough for the period 1st April 2015 to 31st March 2016. As a result, the DWP have agreed to pay the Council a grant of £33,200 for providing support to the programme. The Council has also received further grants of £16,260 for implementing Welfare Reform changes, and £11,495 in respect of the Fraud & Error Reduction Incentive Scheme (FERIS) which aims to identify fraud and error on Housing Benefit claims.
35. The Council has also signed up to a partnership agreement with Lancashire County Council, together with South Ribble and West Lancashire Borough Councils, to support the priorities and targets of the Children's Partnership Board (CPB) aiming to improve outcomes for children, young people and families. In return for providing support to the partnership, LCC will make a contribution of £15,000 to each district Council to cover the current financial year.

36. Further income has also been received from Lancashire County Council in the sum of £6,600 in respect of a grant of easement awarded by the Council for land near Swansea Lane, Whittle-le-Woods. Additional income has also been generated from the sale of various small parcels of land including the disposal of open space land adjacent to 18A The Farthings for the sum of £4,610. Total income received to date in 2015/16 from these land related activities is around £17,000.
37. Two of the Council's major ICT contracts with Capita Business Services Ltd and IDOX Software Limited are due to expire in March 2016. The value of the current contracts is in the region of £610k which covers annual support and maintenance for a five year period. The charges for Capita Business Services Ltd were secured at a reduced rate as a result of the Council making a one-off capital investment of £186k at the start of the contract period. The procurement of software and commercial discussions has recently started with suppliers and it is anticipated that a one-off capital payment will again realise the greatest savings for the Council over the term of any new contracts. As a result, it is recommended that Council approve the set aside of £100k from in-year revenue underspends to fund the one-off capital payments to secure recurrent revenue savings on these contracts. Members will be updated on the progress of new contracts over future monitoring reports.
38. In 2014/15 the Council set aside a sum of £100,000 of additional income from Market Walk to invest in Town Centre Grants funding due to the high demand for this programme. This funding has now been fully committed and with the level of grant applications remaining high, additional funding is now required to continue with this programme. A balance of £39,000 is currently held in reserves from the former NEET's programme which funded the recruitment of apprentices with Active Nation and Chorley Community Housing. As this programme has now come to an end it is recommended that Council approve the use of this sum to invest in the Town Centre Grants scheme. This sum will only be sufficient to continue funding in the short term so in addition to this transfer it is recommended that a sum of £61,000 is transferred from in-year savings.
39. One further issue that requires additional funding in 2015/16 is the Christmas lighting requirements for both the town centre and Market Walk. Prices have recently been obtained from Blackpool Illuminations for this year's lighting displays. The proposals for Market Walk include the purchase of new lights for around £8.5k plus £5k installation which can be financed from the Market Walk service charge. In addition to this there is a proposal to buy a new centre piece tree at a cost of £15k including installation. For the town centre, there are proposals to include additional features for the Town Hall, shopping centre and Market Street at a cost of £5k and make one-off infrastructure improvements for around £4.5k. It is also proposed that the small shop front Christmas trees are again installed as they were last year at a cost of £14k. There is currently a budget provision of £24k in 2015/16 and if the proposals are approved, additional funding of £36k will be needed. It is therefore recommended that Council approve the set aside of in-year revenue underspends to meet this additional funding requirement.
40. The estimated cost of financing capital investment less interest earned on cash balances invested temporarily has been reviewed. A total saving of £164,660 in Net Financing Transactions is expected in 2015/16, most of which relates to Market Walk. This is because additional PWLB borrowing has not yet been incurred, as explained in the Market Walk section below.
41. The Director of Customer and Advice Services presents a mid-term report on the Single Front Office on this agenda. It recommends the creation of apprenticeship posts in support roles. The estimated cost over two years is £56k, to be met from the revenue underspends identified in this report. As this budget would not be spent entirely in 2015/16, any unspent balance should be carried forward at year-end in an earmarked reserve.

42. The proposed rephasing of the CCTV upgrade programme is explained in the section on the capital programme below. Most of the upgrade programme would be financed from a reserve earmarked for the purpose of capital financing, but £85k of the revenue underspends estimated for the current year would be required.

MARKET WALK

43. The budgeted net rental income from Market Walk after taking account of financing costs in 2015/16 is £0.905m. The latest forecast shows a saving of £0.150m and is detailed in the table below.

Table 2: Market Walk Income Forecast (June 2015)

	2015/16 Budget	2015/16 Forecast	2015/16 Variance
	£	£	£
<i>Income Budget</i>			
Gross Income incl. service charges	(1,893,790)	(1,871,790)	22,000
<i>Expenditure Budget</i>			
Operational costs (excluding financing)	129,950	106,840	(23,110)
	(1,763,840)	(1,764,950)	(1,110)
<i>Commitments</i>			
Market Walk Extension costs	101,780	101,780	0
Net Income before Financing Costs	(1,662,060)	(1,663,170)	(1,110)
Financing Costs within Net Financing	756,880	607,800	(149,080)
Net Income after Financing Costs	(905,180)	(1,055,370)	(150,190)
<i>Transfers to/(from) reserves</i>			
Equalisation Reserve (annual contribution)	50,000	50,000	0
Asset Management re Market Walk	50,000	50,000	0
Market Walk Reserve re Extension costs	(101,780)	(101,780)	0
Total transfers to/(from) reserves	(1,780)	(1,780)	0
Revised Net Income	(906,960)	(1,057,150)	(150,190)

44. The approved budget made provision for a £50,000 transfer to reserve to fund asset maintenance costs outside of the service charge agreement and a £50,000 transfer to an equalisation account to build up a reserve to fund any future reduction to income levels. In addition, the current budget includes financing of £101,780 costs in respect of the Market Walk extension by transferring funds from the Market Walk Reserve.
45. The Council's budget for 2015/16 was prepared on the assumption that £5m extra 25-year PWLB borrowing to replace use of internal cash balances would be taken by the end of 2014/15, in order to secure the cash at a lower interest rate than might be available in the

future. The extra borrowing was not taken, so this accounts for most of the one-off saving in Financing Costs in Table 2. Should the Council be advised that PWLB rates are due to rise, additional borrowing could be taken before year-end and the impact would be reflected in budget monitoring. Additional borrowing would be taken only when longer term budget savings could be achieved by avoiding interest rate increases.

46. The net cost of the additional borrowing was included in Net Financing Transactions, whereas the MRP, interest payable and loss of interest costs were included in the Market Walk account. To improve presentation, the Financing Costs budgets should be moved from the Market Walk account to Net Financing Transactions, and the costs relating to Market Walk be shown separately in Appendix 1.

GENERAL FUND RESOURCES AND BALANCES

47. With regard to working balances, and as per Appendix 1, the Council started the year with a balance of £2.288m. The approved MTFS proposes that working balances are to reach £3.0m over the 3 year lifespan of the MTFS to 2017/18 given the budgetary challenges facing the Council. The current forecast to the end of June shows that the General Fund closing balance could be around £2.744m as detailed in the table below.

Table 3 – Movement in General Fund Balance

General Balances	£m
Opening Balance 2015/16	2.288
Budgeted contribution to General Balances	0.350
Forecast revenue budget underspend assuming Council approval of additional expenditure	0.106
Forecast General Fund Balance 2015/16	2.744

48. Appendix 3 provides further information about the specific earmarked reserves and provisions available for use throughout 2015/16.

SECTION B: CURRENT FORECAST POSITION – CAPITAL

49. The capital budget for 2015/16 to 2017/18 as approved at Special Council in March and taking into account subsequent amendments reported to the Executive Cabinet in June and to full council in May 2015 within the 2014/15 Outturn Report is as follows:

- 2015/16: £10.217m
- 2016/17: £3.991m
- 2017/18: £2.232m

50. Capital expenditure and commitments raised as at 30th June 2015 are £1.079m. This represents 11% delivery against the 2015/16 budget.

Amendments

51. Executive Cabinet is asked to approve the following additions to the capital budget:

- Approval was granted for the addition of a £35k budget towards the improvement and equipping of the existing trim trail in Carr Brook (£15k capital and £20k revenue). This is fully funded through a section 106 receipt in the sum of £118k and permission is sought to increase the budget in line with the remaining receipt.
- Addition of £30k to the budget towards match funding to the final phase of refurbishment at Cotswold supported Housing as detailed below.

52. In an Executive Member Decision report, the Director of Public Protection Streetscene and Community has recommended the rephrasing of the CCTV upgrade programme, currently including in the capital programme over three financial years. The programme would be implemented in 2015/16 and an increase in the budget by £85k is also recommended. This would be funded from revenue budget underspends outlined in this report in order to avoid any increase in financing by borrowing. The recommended bidder offers lower service and maintenance costs over the contract period, so that the additional capital expenditure would be offset in part by reduced running costs.

53. Executive Cabinet is asked to approve the following deletions from the capital budget:

- Deletion of the £40k budget for the Bengal Street grant to Recycling Lives for business works. This was due to be funded from revenue savings achieved through the proposed scheme which is no longer going ahead.
- Deletion of £13k from the Thin Client implementation budget. This budget has been carried forward from previous financial years and at present this element is unfunded. Deletion of this element will leave £8k to be funded through reserve.

Cotswold Supported Housing – final refurbishment phase

54. The cost of the works to complete the refurbishment of Cotswold Supported Housing has been estimated at £858k. A bid has been made to the Homes and Communities Agency for Homelessness Change Funding towards the cost of the works.

55. A condition of the funding bid is that the council provides some match funding towards the work. A contribution of £105k has been identified with the remaining £754k sought as grant from the HCA.

56. Of the £105k contribution identified, £75k is already approved within the capital programme for a grant to Recycling Lives for works to develop residential accommodation at Bengal Street depot. As this scheme is no longer progressing approval is sought to transfer the budget to Cotswold House.

57. Approval is sought to add the remaining £30k to the programme. Funding has been identified from capital receipts gained through the sale of land for affordable housing.

58. Further approval to add the remaining £754k to the budget will be sought once the outcome of the funding bid is known. This will be confirmed by the end of October 2015. It is likely that the majority of work will take place in 2016/17.

IMPLICATIONS OF REPORT

59. This report has implications in the following areas and the relevant Directors' comments are included:

Finance	✓	Customer Services	
Human Resources		Equality and Diversity	
Legal	✓	Integrated Impact Assessment required?	
No significant implications in this area		Policy and Communications	

COMMENTS OF THE STATUTORY FINANCE OFFICER

60. The financial implications are detailed in the body of the report.

COMMENTS OF THE MONITORING OFFICER

61. The Monitoring Officer has no comments.

GARY HALL
CHIEF EXECUTIVE

There are no background papers to this report.

Report Author	Ext	Date	Doc ID
Dave Bond/Hanne Harland	5488/5028	30/07/15	Revenue and Capital Budget Monitoring 2015-16 Report 1